

**T25, CCR, Proposed Fee Realignment Regulations
Summary and Response to Comments Received
During the 45-Day Comment Period (June 17, 2005 through August 3, 2005)**

Sorted by Program: EH=Employee Housing; MP/SOP= Mobilehome Parks/Special Occupancy Parks; FBH=Factory-Built Housing; MH=Manufactured Housing; OL=Occupational Licensing and WC=Written Comment; PH=Public Hearing

-Comment No. -Commenter	Section No.	Summary of Comment	Response
<u>PH-EH-1</u> Steven S. Sather, Stanislaus County Department of Environmental Resources	644	Generally supports the EH fee increase because counties acting as the enforcement agency can perform better with higher fees.	AGREE
<u>WC-EH-2</u> Edward F. McDowell, Double M Farms, Inc.	644	Double M Farms, Inc. is in opposition to the raise of inspection fees for the migrant worker camps and states that if the proposal passes "we will have no choice but to pass the increase on to our workers."	<p>This comment refers to "inspection fees." Please note that HCD is not proposing to increase the fee for its "initial" inspections. Current Employee Housing Program regulations include this cost within the "permit to operate fee." The permit to operate fee is not being proposed for amendment at this time.</p> <p>The proposed Employee Housing Program fee increases relate specifically to "reinspections" following an initial inspection where violations have been noted and require a follow-up inspection to occur, and for "technical services" requested by any person.</p> <p>HCD proposes to increase "reinspection" fees for this program to maintain consistency among all program fee increases related to reinspections. In addition, the proposed fee amount is based on information gathered during time and motion studies for each of the actual activities and costs associated with the Employee Housing Program. Consequently, the proposed fee amount will not be amended in response to this comment.</p>

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<u>WC-EH-3</u> Carol Cudia, Ranch Manager HMS Ranches	644 645	<p>Housing employees is a very costly to the Ag employer, which has increased tremendously over the past few years especially due to increased costs of utilities and insurance. Ag employers receive little if any benefits by housing their employees and with the increase in costs will discontinue housing. Employees cannot locate, qualify, or afford housing in the rural communities conveniently located to their jobs with the rising cost of housing. The employees cannot afford the cost of transportation to and from work and in most cases public transportation is not available to transport them to the rural areas. As permits and many other Ag requirements change the end result is an increased cost to the employer. As costs continue to increase many farmers will give up and the end result will be no employees, no housing, and no agriculture in California.</p> <p>The housing inspections currently required to obtain permits to operate a housing labor camp are extremely beneficial as they keep us aware of the problems in the homes provided to the employees, and we must complete recommendations, etc. to satisfy the county that we are providing safe sanitary housing. Without these permits, many employees reside in unsafe, unsanitary housing. Some employers will bypass new laws and increases by not obtaining permits, etc. which will also result in poor unsafe housing.</p> <p>Please do not make permits so costly that the cost will end up in the laps of the employees and allow employers to provide housing not regulated by county standards. Allow us to continue our efforts of providing our agriculture employees the convenience of a home while working so hard for us and producing a California grown product.</p>	<p>Please see response to comment number "WC-EH-2", noted above.</p>

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<u>WC-FBH-1</u> Roberto Lizardi, General Manager, Admiral Sunrooms, Inc.	3060(f)(2)	<p>In opposition to Factory-Built Housing fee increases. The fee increase will directly or indirectly have an impact by passing costs on to dealers, which then impacts the customer. While they have increased their fees over the past 20 years, they believe their fees have not been increased as much as HCD. While the proposed insignia fee does not seem high, a typical job uses several components.</p>	<p>In reviewing its originally-noticed Initial Statement of Reasons, HCD determined that insufficient information explaining the necessity and supportive rationale for proposed amendments to Title 25 CCR Section 3060(f)(2) had been provided. Consequently, HCD completed an addendum to its Initial Statement of Reasons and has made this Addendum a part of the rulemaking record beginning August 26, 2005. The following information summarizes HCD's Addendum and its reasons for maintaining the amendment to Title 25 CCR 3060(f)(2). (See "Addendum to Initial Statement of Reasons at Tab G., of this rulemaking record.)</p> <p>The proposed amendment to the insignia fee, from \$.85 to \$5 for each insignia issued, is based on HCD's actual costs of providing public services to those who purchase factory-built housing components. These services include the costs of issuing the insignia as well as monitoring the third-party inspection agencies, conducting on-site inspections and responding efficiently and effectively to public complaints received through HCD's Ombudsman's Office. The proposed fee increase will adequately fund these essential elements of the program to assure the public that it is receiving a safe and quality product.</p> <p>For example, HCD is statutorily mandated to monitor the activities of seven FBH Program third-party agencies working on its behalf, as well as for the administration of the program.</p>

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<u>WC-FBH-1-cont.</u> Roberto Lizardi, General Manager, Admiral Sunrooms, Inc.	3060(f)(2) cont.		HCD's goal is to annually monitor all third-party agencies to maintain consistency. Under its current fee structure, however, HCD cannot meet this mandate. Because monitoring encompasses several activities, including the review of monthly third-party reports, on-site dwelling inspections and in-plant monitoring within FBH manufacturing facilities, as well as responding to public complaints through its Ombudsman telephone line, HCD's cost assessments relating to these mandated functions require that the proposed fee amount be amended as originally-proposed. Consequently, the proposed fee amount will not be amended in response to this comment.
<u>WC-FBH-2</u> Gerald Cochran No affiliation noted.	3060(f)(2)	<p>If I read your justification study right the following is true:</p> <p>Cashiering =(60 min x .03) = 1.8 min per label Cashier Audit = (60 min x .01) = .6 min per label Application = (60 min x .04) = 2.4 min per label Supervision = (60 min x .03) = 1.8 min per label</p> <p>Total time required per label = 6.6 min. therefore my order for 5000 labels requires 550 hours of labor to produce?</p> <p>You can only process (60 min / 6.6 min) = 9.09 labels per hr?</p> <p>For the sake of all us "participating" manufacturers, I hope that the above scenario is not true!</p> <p>We want to support the efforts of the state but this increase is overwhelming! Can you please review these numbers.</p>	Please see response to comment number "WC-FBH-1", noted above.

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<u>WC-FBH-3</u> Rick Cavanagh, Terrapin Testing, Inc., Quality Control/Quality Assurance TJC and Associates, Inc., Structural Engineering	3060(f)(2)	In opposition to the Factory-Built Housing proposed insignia fee increase, the commenter asserts that the price increase will not allow them to stock insignia. Their manufacturers will be required to pay for all insignia purchases in advance. The two outcomes to this increase will be an increase to the "state's coffers" by a significant amount and further resentment by manufacturers to the costs and delays of doing business in California. They are afraid that their enforcement of the law might become more troublesome because the manufacturers might not comply.	Please see response to comment number "WC-FBH-1", noted above.
<u>WC-FBH-4</u> Kathy Trout, Quality Control Manager, Duraform Building Panels	3060(f)(2)	We are in receipt of the proposed increase to the insignia fees and want to voice our opposition to such an increase. It appears as though the burden to maintain the records is placed directly on the manufacturer and the testing agency. I am baffled as to why these fees need to increase so remarkably and would like the justification of such an increase from your agency. If such an increase is really necessary, I would propose that the entities that are producing these products out of State be charged with the majority of the increase so that the burden that is not borne by the entities that strive to conduct business in California, for California consumers are not unduly penalized for the reporting burdens of the manufacturers that enjoy the cost benefits of producing these products outside of the State of California. It has been a very costly and time-consuming effort to achieve our certifications and it is extremely frustrating to know that our competitors enjoy the opportunity to sell in California without expending the resources necessary to operate in California and provide jobs and revenues to benefit our citizens and coffers.	<p>Please see response to comment number "WC-FBH-1", noted above.</p> <p>The commenter also states that it appears that a record keeping burden is placed on in-state manufacturers. Although this comment is beyond the scope of the proposed regulations, HCD notes that both in-and out-of-state manufacturers are held to the same California standards contained in Title 25 and the Health and Safety Code. Therefore, no benefit is given to out-of-state producers.</p>

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<u>WC-FBH-5</u> Calvin M. Jepsen, CMJ Engineering, Inc.	3060(f)(2)	<p>1. Building component insignia fee increase from \$.85 to \$5.00 per label, an increase of 570 plus percent. The original concept was to have the same costs for insignia for a modular building as for a panel constructed building for example: A twenty-four foot wide x sixty-foot long building (two (2) modules) the insignia would be \$62.00 x 2 or \$124.00/building. Whereas for a similar panel constructed building with wall, floor and wall panels, the present insignia cost would be 132 x \$5.00 = \$660.00. In addition, a panel manufactured building is less complicated in the manufacturing process since there are generally only 4' x 8' panels involved with most of the electrical, mechanical and plumbing being field-installed. In-plant monitoring by HCD staff should be less time-consuming. Leave the building component label fee at \$.85 per label or if an increase is needed, it should not exceed an increase of double the present label fee for a total of \$1.70 per label to keep insignia costs in line with the modular buildings.</p>	<p>1. Notwithstanding HCD's 1986 regulatory intent in setting the insignia fees, HCD is statutorily mandated to provide certain services and set fees commensurate with its costs. The commenter fails to address the issue of HCD's actual costs for maintaining the building component element of its FBH Program. The proposed component insignia fees are designed to spread actual costs for monitoring FBH building component construction directly to the manufacturing of these units.</p> <p>Because it has been 19 years since the \$.85 component fee was implemented, monitoring and administrative costs have substantially increased. The \$5.00 fee reflects the increases in the costs to administer this program.</p> <p>In response to the commenter's comparison of dwelling unit and panel insignia costs, please note that the cost differential between an FBH structure constructed out of building component panels bearing \$5 labels and one constructed as a dwelling unit bearing \$62 labels is not appropriate, considering current methods of manufacturing. The most common form of FBH construction using building component panels is for non-habitable room additions (e.g., sunrooms), not complete residential dwelling units. While dwellings may be constructed using component panels, that method of construction is rare and does not adequately represent industry costs.</p> <p>Any discrepancies between the \$5 and \$62 insignia fees may be reassessed in the future when the \$62 fee is adjusted to reflect HCD's current costs.</p>

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<p><u>WC-FBH-5-cont.</u> Calvin M. Jepsen, CMJ Engineering, Inc.</p>	<p>3060(k) 3060(m) 3060(o)</p>	<p>2. Renewal fee increases for Quality Assurance [Approval] and Design Approval Agencies and in particular Quality Insurance [Assurance] Inspectors. All of these fees will nearly double except for the inspector renewal, which will increase from \$40.00 to \$253.00 an increase of 632%. The increase for the inspector is the main concern since this is a renewal only and not an original certification. Any review should be minimal and not require nearly three (3) hours (based upon a \$92.00/hr. fee). The fee for Quality Assurance Inspector Renewal should remain at \$40.00/hr. or at most be raised to \$92.00 maximum.</p>	<p>2. The commenter asserts that the fee relates to a renewal, and not an original certificate and should therefore have a minimal cost as compared to an original certification process. Comparatively, the proposed renewal fee is approximately one-third of the cost of the original certification and is based on the actual time it takes to process documentation. The proposed fee is based on information obtained through actual time and motion studies for all aspects of the certification renewal process.</p> <p>Please see supporting documentation contained at Tab Q of this rulemaking file.</p> <p>The commenter is incorrect in the assertion that the review should not require 3 hours. The time needed to complete this function is based on information obtained through actual time and motion studies of the review time as well as processing the application and the response. Documentation supporting HCD's proposal is contained at Tab P of this rulemaking file.</p> <p>The commenter asserts the fee should remain at \$40.00. However, there is no reference to a \$40.00 fee contained in this section. HCD assumes that the commenter is referring to the \$40.00 fee contained in Title 25, California Code of Regulations, Section 4884(f).</p> <p>The commenter also asserts that there is a \$92.00 per hour fee. However, there is no reference to a \$92.00 fee contained in this section. HCD assumes the commenter is referring to the proposed fee for "Plan Checking" contained in Section 3060(a)(3)(A). This fee amount is based on the time and classification associated with "Plan Checking" and has no relationship to the certification process.</p>

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<u>WC-MH-1</u> Calvin M. Jepsen, CMJ Engineering, Inc.	4884(d) 4884(e) 4884(f)	Manufactured Homes, Mobilehomes, Multi-Unit Manufactured Housing, Commercial Modulares and Special Purpose Commercial Modulares. All of these fees will nearly double except for the Inspector Renewal, which will increase from \$40.00 to \$267.00 an increase of 667%. This increase is the main concern since this is a renewal only and not an original certification. Any review time should be minimal to review the application. The fee for Quality Assurance Inspector Renewal should remain at \$40.00/hr. or at the most be raised to \$92.00 maximum.	<p>Please see response to comment number "WC-FBH-5", noted above.</p> <p>The proposed application change fee is based on information gathered during time and motion studies for each of the actual activities and cost associated with the Manufactured Housing Program. Consequently, the proposed fee amount will not be amended in response to this comment.</p> <p>Please see supporting documentation contained at Tab Q of this rulemaking file.</p>
<u>WC-OL-1</u> Bob West CMHI	5040(a)(1) 5040(b)(1)	1. We believe that the cost of the original manufacturers' license and the original dealers license should be the same, as they have been. We suggest that you increase the manufacturers' license to \$593.00.	<p>1. Manufacturer, distributor, and dealer original license application fees were reviewed in response to this comment and have been realigned at the same proposed rate of \$582. An average of five time studies was calculated for each civil service classification involved in this process to determine the time charges set for each telephone and e-mail function by classification. HCD determined that telephone and e-mail processing for a PTII, SPTII, DRII, CSAI, and CSAII were the same type of processes for issuing each type of license and therefore should have identical time charges. These sections were amended for consistency in response to this comment.</p> <p>Please see supporting documentation contained at Tab G.3. of this rulemaking file.</p>

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<u>WC-OL-1-cont.</u> Bob West CMHI	5040(h)(1) 5040(h)(2)	2. The comparative costs for manufacturer license lists and statewide dealer lists do not make sense. There are only a handful of licensed manufacturers and a tremendous number of licensed dealers. The increase of the manufacturers list does not seem justified.	2. The proposed application fees for manufacturer and dealer statewide licensee lists were based on information gathered during time and motion studies for each of the actual activities and cost associated with the Occupational Licensing Program. Consequently, the proposed fee amount will not be amended in response to this comment. Please see supporting documentation contained at Tab Q of this rulemaking file.
	5360(a)	3. A new application for a continued education course approval seems a little to high? It is more than triple of what it was.	3. Although the commenter refers to a “Continued Education Course Approval” in this comment, his reference to tripling the current fee actually refers to an “Application for Preliminary Education Course Approval.” (Note: This discrepancy was resolved by staff through a telephone conversation with the commenter to bring clarity to the comment.) Although, this application is currently processed at a CSAI level due to staff shortages, under normal circumstances, this function would be processed at a less costly DRII level. Consequently, the audit was corrected to show application processing under the DRII classification. Further analysis determined that eight (8) hours of DRII application processing time was the exception and that approximately six (6) hours reflected the average processing time to complete this type of application. It was also determined that the CSAII level review was more appropriately assigned to the CSAI level. Please see supporting documentation contained at Tab G. 3. of this rulemaking file.

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WC-OL-1-cont. Bob West CMHI	5360(b)	4. Application for continuing education approval also seems too high. There were none given in 2001/2002. I expect that there will not be much revenue under the proposed fee.	<p>4. The proposed continuing education approval fee is based on information gathered during time and motion studies for each of the actual activities and cost associated with the Occupational Licensing Program. Consequently, the proposed fee amount will not be amended in response to this comment.</p> <p>Please see supporting documentation contained at Tab Q of this rulemaking file.</p>
	5360(c)	5. An application for continuing education instructor approval seems high.	<p>5. The application for instructor approval is currently processed at a CSAI level due to staff shortages. However, under normal circumstances, this function would be processed at a less costly DRII level. Consequently, the audit results were corrected to show application processing under the DRII classification. Further analysis determined that four (4) hours of DRII application processing time was the exception and that three (3) hours more appropriately reflected the processing time needed to complete this type of application. It was also determined that the CSAII level review was more appropriately assigned to the CSAI level.</p> <p>Please see supporting documentation contained at Tab G. 3. of this rulemaking file.</p>
	5360(e)	6. An application for an equivalency approval seems high.	<p>6. The application for equivalency approval is currently processed at a CSAI level due to staff shortages. However, under normal circumstances, this function would be processed at a less costly DRII level. Consequently, the audit results were amended to show application processing under the DRII classification. It was also determined that the CSAII level review was more appropriately assigned to the CSAI level. A typographical error was corrected to replace the phrase "the first four (4) hours" with the phrase "the first two (2) hours."</p> <p>Please see supporting documentation contained at Tab G. 3. of this rulemaking file.</p>

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<u>WC-OL-1-cont.</u> Bob West CMHI	5360(f)	7. What is an application for an exemption? The new fee is more than 6 times the old fee.	<p>7. Title 25, California Code of Regulations, Section 5354 describes the exemption purpose and requirements. The application for exemption is for those licensees seeking an exemption from the continuing education requirements. This application is currently processed by a CSAI due to staff shortages. Under normal circumstances, this function would be processed at a less costly DRII level. Consequently, the audit results were amended to show application processing under the DRII classification. It was also determined that the CSAII level review was more appropriately assigned to the CSAI level.</p> <p>Please see supporting documentation contained at Tab G. 3. of this rulemaking file.</p>
	5360(k)	<p>8. Certification of course presentation. That seems like an outrageous increase. Is this simply an easy way to get revenue since so many have to go to class. It doesn't look fair.</p> <p>We feel that all the others are ok.</p>	<p>8. The proposed fee amount for the certification of course presentation applications is based on information gathered during time and motion studies for each of the actual activities and cost associated with the Occupational Licensing Program. Consequently, the proposed fee amount will not be amended in response to this comment.</p> <p>Please see supporting documentation contained at Tab Q of this rulemaking file.</p>
<u>PH-OL-2</u> John DeDoncker, Chief Executive Officer, Millennium Mobile Home Sales	5040	My comment is if the increase fees will heighten the HCD's ability to enforce the laws and elevate the required education, I fully support it.	AGREE

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<u>WC-OL-3</u> Vicky G. Derieg, California Manufactured Housing Education	5040(a)(1) 5040(b)(1)	1. I believe it is the same amount of work to issue a manufactured or a dealer license. Since they were the same fee before I think they should still remain the same.	Please see responses to comment number "WC-OL-1", noted above.
	5040(h)(1) 5040(h)(2)	2. Since there are so few manufacturers, why is the cost for the manufacturer's list now the same as the cost for the dealer list?	
	5360(c)	3. I do not mind competition, but HCD has proposed an extremely high fee for application for instructor approval. There cannot be more work involved in issuing an instructor approval than in issuing a manufacturer or dealer's license.	
	5360(f)	4. If an exemption is granted, there had to be a serious health or military reason. They do have to complete all requirements within 90 days. The new fee seems extremely high, as it is more than six times the old fee.	
	5360(k)	5. The certification of course presentation is proposed to increase over seven times as much as the current fee. Especially when you note that over 2,000 of those were filed in 2001/02 alone that is a lot of increased revenue. While I realize that some increase may be necessary, this seems like a tremendous increase.	